

STATE OF UTAH  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING  
1594 West North Temple - Suite 1210  
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Telephone: (801) 538-5291  
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SMALL MINING OPERATIONS 2008 PROGRESS REPORT  
January 1, 2008 to December 31, 2008

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DIV OF OIL, GAS & MINING

The information required in this form are based on provisions of the Mined Land Reclamation Act, Title 40-8, and the rules as under the Utah Minerals Regulatory Program.

1. Mine Permit Number: S0/100/56
2. Mine Name: Lost Gems#1
3. Name of Operator/Permittee: Penney's Gemstones LLC

Note: If Operator's address, company representative or phone number have changed, please provide a replacement page to the Notice of Intention.

4. Mine Location: No Change from file
5. Report the gross amount of ore mined and waste moved, as well as the current disposition of the material (sold, stockpiled, regraded, etc.):

Gross Ore Mined	<u>hand samples &lt;1</u> Tons
Waste Material Moved	<u>0</u> Tons
New Disturbance	<u>0</u> Acres during 2008
Area Reclaimed	<u>0</u> Acres during 2008
Total Disturbed Area	<u>no change ;see BLM files</u> Acres*

\*Total life of mine disturbance to the end of 2008.

Was the ore shipped off site? If not, where is the ore located? N/A

Where is the waste located? N/A

6. Briefly describe the reclamation work performed during the past year. A map showing reclaimed areas and dates is suggested. (Submit form MR-SITE for an application for full or partial bond/site release).

N/A natural revegetation occurring

I hereby certify, under penalties of law, the information provided in this report is true and correct to the best of my knowledge and belief.

Name (Typed or Print): David L. Penney  
Title of Operator: owner/operator/registered agent  
Signature of Operator: David L. Penney  
Date: December 29, 2008